

Quarterly Investment Report
Account No. 1420

September 30, 2008

State of Montana Public Employee Deferred Comp Plan

A company of **Allianz** 
Global Investors

P I M C O

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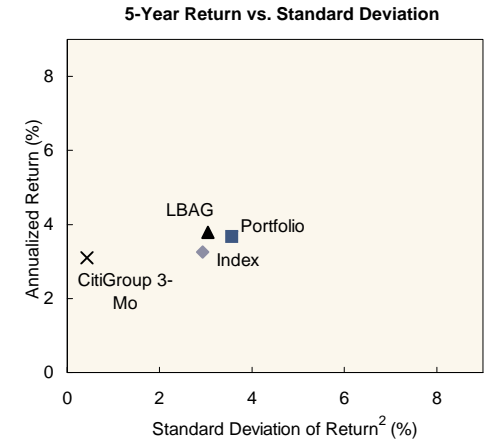
State of Montana Public Employee Deferred Comp Plan

Market Commentary	Market Outlook
<ul style="list-style-type: none"> Massive deleveraging depressed valuations of fixed income and other assets during the third quarter as financial markets were rocked by the most severe credit crisis since the 1930s Stress in credit markets produced an upheaval in the U.S. financial system and an unprecedented level of intervention by the Federal Reserve and the Treasury Treasuries outperformed most other asset classes during the quarter amid a flight to safety by investors worldwide 	<ul style="list-style-type: none"> The global economy will be increasingly vulnerable to policy mistakes as governments struggle to respond to the greatest financial crisis since the Great Depression Developed economies are expected to operate below potential while emerging economies with growing internal demand should fare somewhat better The crisis will heighten “tail risk” and magnify the severity of these unlikely events with highly negative consequences
Portfolio Recap	Portfolio Strategy
<ul style="list-style-type: none"> Your portfolio underperformed its benchmark for the quarter PIMCO was not immune to shocks stemming from global deleveraging, but our defensive, high quality emphasis going into the crisis helped protect portfolios from severe damage The following strategies helped third quarter returns: <ul style="list-style-type: none"> A focus on short maturities as the yield curve steepened; implementing this strategy via swaps or Eurodollar futures was negative, however, as interbank lending rates rose Holdings of Agency mortgage pass-throughs, which constituted PIMCO’s largest sector overweight, as these high quality bonds outpaced the mortgage market overall The following strategies were negative for quarterly returns: <ul style="list-style-type: none"> An overweight to bonds of financial companies, including Lehman Brothers and AIG; contagion from subprime-related deleveraging swept through this sector despite unprecedented government support Modest holdings of municipal bonds as yield ratios relative to Treasuries widened to historic levels Modest exposure to emerging market currencies as the U.S. dollar rallied, though positions that benefit from weakness in developed market currencies were positive Small holdings of real return bonds, which lagged nominal Treasuries amid a sharp fall in inflation expectations 	<ul style="list-style-type: none"> Continue to employ defensive strategies with a focus on high quality assets in an effort to mitigate tail risk Remain neutral to slightly overweight duration as rates are unlikely to rise as the economy weakens Emphasize the short end of the yield curve to benefit from the potential for Fed easing and a continued flight to high quality, short maturity assets Continue to focus on Agency mortgage pass-throughs, which offer relatively high yields and strong credit quality Hold positions in bonds of financial companies despite price declines; our exposure is focused on companies that are deemed to be under the Fed’s umbrella, and that should benefit over the longer term from recapitalization, deleveraging and greater balance sheet transparency Hold modest levels of municipal bonds, especially longer maturities, which present minimal default risk and offer historically attractive yields compared to taxable bonds Retain modest exposure to emerging market currencies that should gain versus the U.S. dollar because of more robust economic growth Retain focus on cash, collateral and counterparty risk management as the credit crisis persists Continue to favor locally issued emerging market bonds of high quality issuers which offer relatively attractive yields

Summary of Performance Data and Portfolio Statistics

State of Montana Public Employee Deferred Comp Plan

Performance Periods Ended 9/30/2008	Since 12/31/2001	5 yrs	3 yrs	1 yr	9 mos	3 mos
Total Portfolio¹						
Before Fees (%)	4.66	3.67	4.13	1.11	-2.05	-3.58
Lehman Brothers Intermediate Government/Credit Index (%) ²	4.47	3.25	4.03	3.13	0.22	-1.19



Summary Information	6/30/2008	9/30/2008
Total Market Value (USD in millions)	182.2	177.7
Quarterly Contributions (USD in millions)	0.9	2.1
Estimated Annual Income (USD in millions)	8.6	9.8
Estimated Yield to Maturity (%)	6.0	5.6
Effective Duration (yrs)	3.7	4.0
Benchmark Duration (yrs)	3.8	3.8
Effective Maturity (yrs)	1.5	1.4
Average Quality	AA	AA+
Average Coupon (%)	4.6	4.7
Net Currency Exposure (%)	0.5	0.5
Tracking Error (5 yrs, %) ^{4*}	1.1	1.4
Information Ratio (5 yrs) ^{4*}	0.9	0.3

* See example of tracking error / information ratio on footnote page of the Appendix.

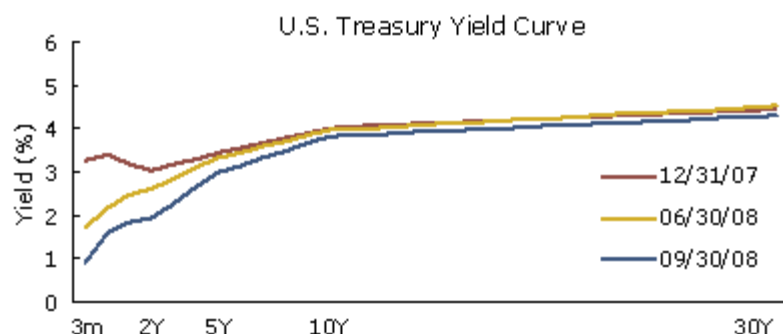
See footnotes in Appendix.

Sector Allocation	% of Market Value		% of Duration	
	6/30/2008	9/30/2008	6/30/2008	9/30/2008
Government/Agency	5	30	-19	-36
Mortgage	29	49	24	45
Invest. Grade Credit	16	11	54	51
High Yield Credit	2	2	2	2
Non U.S. Developed	0	0	0	0
Emerging Markets	3	3	2	2
Municipal/Other	3	3	9	9
Net Cash Equivalents: ³	42	2	28	27
Commercial Paper / STIF	21	17	2	2
ST Government/Agency	11	11	3	2
ST Mortgage	7	6	1	1
ST Credit	13	12	0	0
U.S. Money Market Futures/Options	78	84	22	22
Non-U.S. Money Market Futures	0	0	0	0
Other	-1	-5	0	0
Less: Liabilities	-87	-123	0	0
Total	100	100	100	100

Bonds Fall as Credit Crisis Paralyzes Global Markets

Most fixed income securities lost ground along with other financial assets during the third quarter as the most severe credit crisis since the 1930s rocked global markets. The Lehman Brothers U.S. Aggregate Index, a widely used index of U.S. high-grade bonds that includes Treasuries, lost 0.49 percent during the quarter.

Interest rates fell worldwide and yield curves in the U.S., Europe and the U.K. steepened as investors fled to the safety of government bonds, especially shorter maturities. The benchmark 10-year Treasury bond yielded 3.83 percent as of September 30, 15 basis points below where it stood at the end of the second quarter. The following graph depicts recent movements in the Treasury yield curve:



SOURCE: Bloomberg Financial Markets

Massive deleveraging arising from the subprime debacle produced an upheaval in the U.S. financial system and an unprecedented level of intervention by the Federal Reserve and the Treasury. This intervention came after 225 basis points of easing by the Fed and an extraordinary expansion of its lending facilities earlier in the year failed to unfreeze credit markets.

The month of September featured a succession of shocking events. These included the Treasury's bailout of mortgage

agencies Fannie Mae and Freddie Mac and insurer AIG, as well as the realignment of the biggest U.S. investment banks via bankruptcy, merger, recapitalization or transformation into bank holding companies. The turmoil extended to money markets, where interbank lending rates soared to record highs as banks hoarded cash amid concern about each others' credit quality. These events forced the Treasury to extend insurance to money market funds after several failed to maintain a \$1 NAV.

Just after the quarter closed the U.S. Congress approved another massive (\$700 billion) intervention proposed by the Treasury and the Fed. Called the Troubled Asset Relief Program (TARP), this program aims to unclog credit markets by buying up distressed assets. As concern mounted about the spillover of the finance sector's troubles into the broader economy, it remained unclear whether TARP and the other historic steps taken by the government during this exceptional period would be sufficient to solve the underlying problems in the system.

Treasuries Outperform Amid Financial Market Turmoil

Treasuries outperformed other fixed income sectors during the third quarter of 2008. Yields on Treasury bills shrank to virtually nothing as investor anxiety mounted during September. The following is a summary of fixed income sector performance:

- High grade mortgage-backed securities (MBS) fared better than other non-Treasury sectors during the quarter, posting a positive absolute return, though they lagged Treasuries slightly on a duration-adjusted basis. Agency pass-throughs were the best performers among MBS, modestly outpacing like-duration Treasuries. Non-Agency MBS continued to face performance headwinds arising from deleveraging in the financial system.
- By far the worst performers among fixed income assets were corporate bonds, led down by the financial sector. Credit premiums soared in both the investment grade and high yield segments of the market as investors fled to the greater safety of Treasuries. Credit spreads on investment grade

corporates on average widened by almost 150 basis points over the quarter to historically wide levels. In the high yield market, credit spreads widened more than 350 basis points on average during the quarter to more than 1,000 basis points, levels not seen since the corporate bond collapse of 2002.

- Municipal bonds had a difficult quarter as liquidity dried up amid investors' flight to Treasuries. The upheaval in the investment banking industry meant that balance sheet capacity in the dealer community contracted. For those with cash to commit, valuations in the municipal sector became very compelling. Yield ratios between 30-year municipals and Treasuries widened out beyond 120 percent, the highest in recorded history.
- Emerging market (EM) bonds also posted negative returns during the third quarter in the face of heightened global risk aversion and worsening financial conditions in the U.S. Most EM currencies fell versus the U.S. dollar during the period, which meant that local currency denominated EM bonds fared poorly along with their dollar denominated counterparts.
- Among government bonds of developed economies, European and U.K. bonds outpaced Treasuries amid perceptions that these economies might actually slow more than the U.S., prompting their central banks to cut rates. Japanese bonds lagged Treasuries; rates fell by less in Japan than elsewhere in the developed world as Japan's financial system was seen to be less directly exposed to the credit crisis.

Global Economy Will Slow In Face of Severe Credit Crisis

The crisis in credit and financial markets will cause developed economies to operate well below potential for some time. Emerging economies are likely to fare better but will not enjoy a complete decoupling from the credit-induced slowdown in the U.S., Europe and the U.K. With the global economy mired in the most serious financial crisis since the Great Depression, policymakers are struggling to find responses that are both necessary and sufficient to cope with the problems. It remains to be seen what will constitute a sufficient response. Inherent in a crisis of this magnitude are heightened risks associated with the left tail of the probability distribution; that is, events which seem unlikely but which could have consequences that are highly negative and destabilizing.

- **The Paradox of Deleveraging** - The bursting of the residential real estate bubble has helped produce what PIMCO terms the “paradox of deleveraging.” As banks and other heavily indebted investors rationally attempt to unload mortgage-related assets, a spiral of debt deflation has ensued because there are not enough buyers with capacity on their balance sheets to accept the assets. Compounding the problem is the illiquidity and complexity of many of these securities, which make them difficult to value.
- **A Floor for the Market?** - Government policy has shifted during this crisis from targeting financial institutions to targeting both institutions and the financial markets. PIMCO believes that government support for the real estate and mortgage markets has been justified for some time. The best way to put a floor under the market, provide a mechanism for price discovery and set the stage for recovery is for the U.S. government to take at least some of these assets onto its balance sheet. However, even with implementation of the U.S. Treasury’s program for accomplishing these objectives,

the Troubled Asset Relief Program (TARP), there is unlikely to be an economic revival anytime soon.

- **Options for Policymakers** - Global policymakers have other options besides TARP, and PIMCO believes that they should use them. With interbank lending rates at record levels and credit markets paralyzed, financial conditions are tight and the case for continued central bank easing is compelling. The European Central Bank and Bank of England are likely to ease even more than the Federal Reserve as their economies slow.
- **More Options** - In the U.S., the Treasury has the authority to buy mortgage-backed securities or the bonds of Fannie Mae and Freddie Mac outright, as well as expand Fannie and Freddie’s balance sheets. The Fed can and probably will continue to inject massive liquidity into the financial system. The Fed has already announced a program to assume credit risk by buying corporate commercial paper. The Treasury appears poised to inject equity capital directly into troubled banks. Lastly, PIMCO believes that the Fed should act as a clearing house for payments and settlements of financial transactions in order to bring normalcy back to this area of the system.
- **EM to Cushion the Blow** - Growth in emerging markets, led by China, may cushion the blow delivered by the credit crisis. Chinese growth will decelerate in the face of weaker external demand and the need to contain inflation, but the slowdown will come off of very rapid rates in the recent past. Domestic consumption and investment will continue to support the Chinese economy. Moreover, China and other emerging economies have the financial reserves needed to use fiscal stimulus to sustain domestic demand. Policymakers in emerging economies and elsewhere will have more flexibility to employ fiscal stimulus over the next year. Headline inflation pressures will likely abate as the

weakening global economy keeps commodity prices soft compared to recently elevated levels.

Maintain High Quality, Defensive Posture Amid Turmoil

PIMCO went into the present crisis with a defensive orientation, including a focus on the front end of yield curves worldwide and holdings of high quality assets deemed to be under the Fed/Treasury policy umbrella. All of these elements will remain in place and should build in effective hedges to downside risks that will be a prominent feature of the investment landscape. In addition, our investment process will continue to concentrate on elements not readily visible to outside observers, such as cash, collateral and counterparty risk management.

- **Interest Rate Exposures** - PIMCO will be neutral to slightly overweight duration overall with tactical interest rate exposure to Europe and the U.K. where permitted. Interest rates in developed markets are unlikely to rise as these economies weaken. We will retain exposure to the front end of yield curves in the U.S., Europe and the U.K. in the belief that shorter maturities are likely to outperform as markets anticipate central bank easing and injections of liquidity.
- **Concentrate on High Quality Assets** - Agency mortgage pass-throughs will continue to be PIMCO's largest sector overweight. PIMCO has about the level of exposure that we want to these high quality assets, which have performed relatively well amid the recent market turmoil. PIMCO will also focus on maintaining the liquidity that we need to gain exposure to other high quality assets as they become attractive. These securities could include municipals, where yields are near their highest in history relative to Treasuries, and select asset backed bonds with strong collateral protection and attractive yields.
- **Hold Positions in Financials** - In hindsight, PIMCO was premature in our purchases of banking and finance company bonds that offered highly attractive yield premiums but

exposed us to the worsening situation in the financial sector. We are no longer adding to these positions but neither do we plan to sell them. We have focused our exposure primarily on large institutions that we believe fall under the protective "umbrella" of the Fed and therefore have potential for price recovery once financial and credit markets stabilize. Besides an expectation of government support, our holdings should also benefit going forward from bondholder-friendly economic trends that were already in place before the crisis. These trends include the consolidation and recapitalization of financial services companies, as well as deleveraging and greater balance sheet transparency.

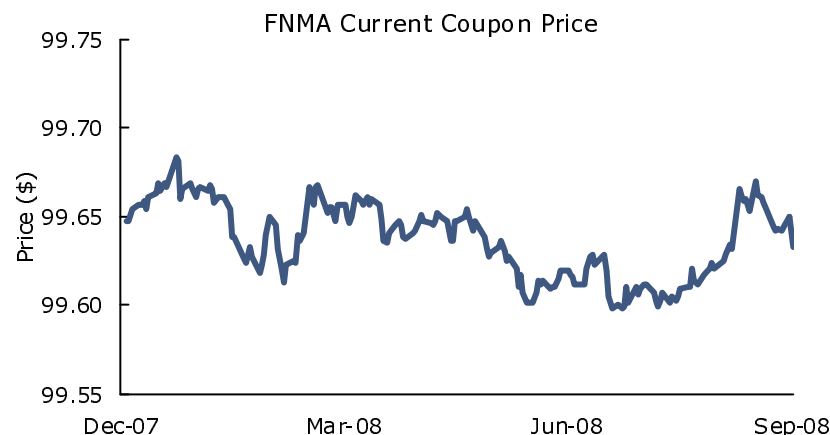
- **Currency Exposure Emphasizing Emerging Markets** – PIMCO came into the financial market crisis with relatively neutral currency exposure overall – modest long positions in emerging market currencies roughly offset by short positions in developed currencies, especially the U.K. pound. We plan to retain this approach. Interest rate differentials among developed economies that now favor Europe and the U.K. over the U.S. are likely to narrow as all developed economies slow down. This trend should favor the U.S. dollar versus other developed currencies. By contrast, currencies of emerging economies should fare better against the U.S. dollar given their faster expected growth.

Market Commentary

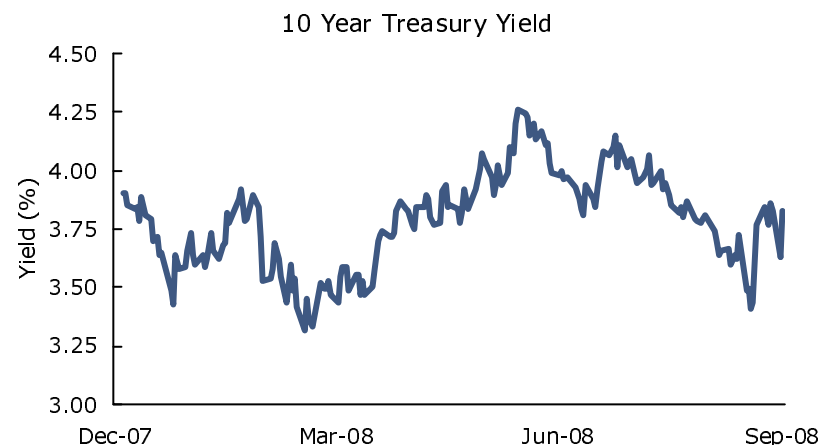
- After a volatile third quarter, yield premiums, or spreads on mortgage-backed securities (MBS) relative to Treasuries ended the period wider. March 2008 remains the historical wide for MBS spreads
- Fannie Mae and Freddie Mac took center stage in July as their equity came under siege by investors due to their weak capital positions
- Many potential international investors in MBS continued to wait on the sidelines amid uncertainty about the fate of the mortgage Agencies
- In September the U.S. Treasury placed both Fannie and Freddie into conservatorship in an attempt to stabilize the mortgage markets
- On the back of the Treasury's announcement, spreads on Agency MBS tightened sharply, resulting in the largest one-day gains in the history of the MBS market
- The Treasury gained legislative approval to establish a \$700 billion Troubled Asset Relief Program (TARP) designed to assist ailing financial institutions and open up new mortgage lending

Market Outlook

- While the TARP did not cause MBS spreads to tighten, it should provide a new balance sheet to accept MBS, which PIMCO views as a positive for the market
- In the interim, we expect the mortgage market to continue to experience volatility as participants evaluate the TARP



SOURCE: JPMorgan



SOURCE: JPMorgan

Past performance is no guarantee of future results.

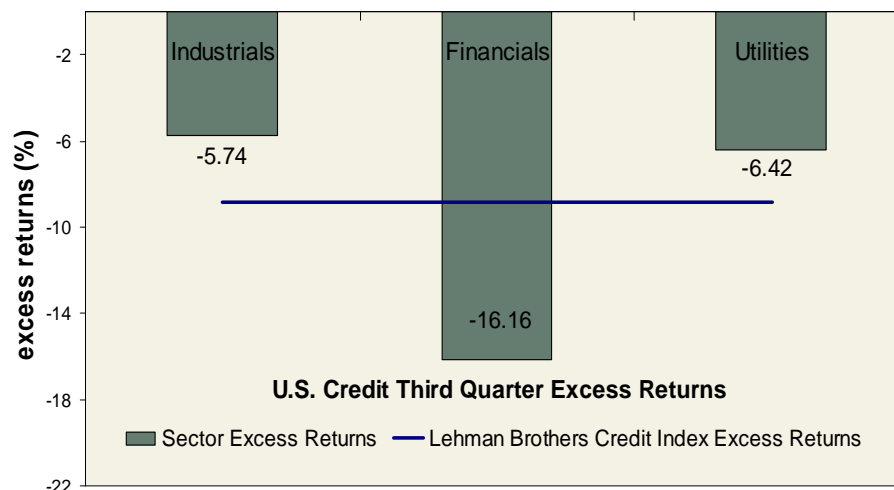
Graphs are for illustrative purposes only and are not indicative of the performance of any particular investment.

Market Commentary

- Investment grade credits dramatically underperformed like-duration Treasuries during the third quarter. The Lehman Brothers Credit Index posted an excess return of -884 basis points for the quarter*
- Financials were the worst performing sector of the investment grade market. The brokerage/financial sub-group led the losses, posting an excess return of -3,214 basis points for the quarter
- Higher quality investment grade credits, led by AAA-rated issues, outperformed all lower quality tiers for the period

Market Outlook

- We expect further weakness in consumer spending, corporate profits and employment. Weakness in the housing market is likely to further pressure consumer spending, which may decrease corporate profits. Decreased corporate profits could lead to more weakness in labor markets
- Given our view of the economy, we plan to continue to underweight housing, home construction issues, real estate investment trusts, building products, retailers and consumer cyclicals
- We plan to maintain our overweight to large, diversified financial institutions that we view as “too big to fail,” or likely to receive a government backstop if necessary. In addition to government support, these positions should benefit from bondholder-friendly trends. Consistent with our long-term investment horizon, we expect these positions to have the potential for a strong positive contribution to performance once financial and credit markets stabilize. However, we expect near-term volatility to persist amid general illiquidity, forced selling and heightened risk aversion.



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* U.S. Credit vs. Treasuries Third Quarter Excess Returns Graph:

- Graph data represents the performance of the Lehman Brothers U.S. Credit Index. The Lehman Brothers U.S. Treasury Index represents the performance of Treasuries
- The corporate sectors shown are not equally weighted in the index but instead are market weighted.
- The sectors shown represent the broad components of the index.
- Excess Return is a duration-adjusted measure of performance relative to a term structure-matched position in Treasuries using key rate durations. It measures the amount by which the return on an investment is greater than the risk free rate of return.

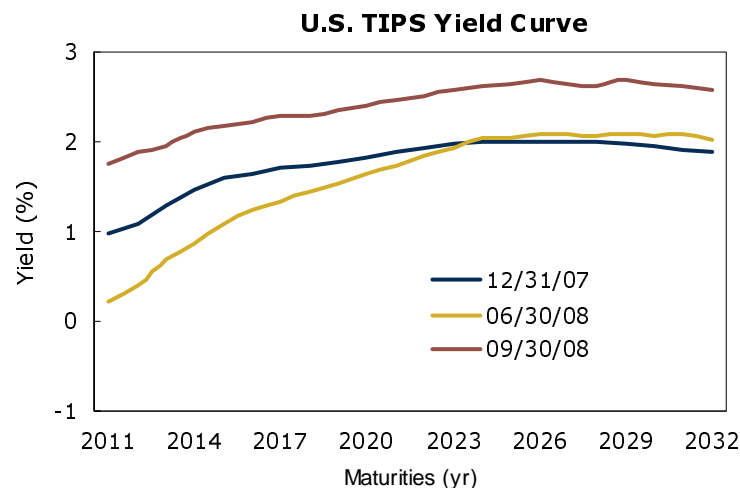
SOURCE: Lehman Brothers (Barclays Capital)

Market Commentary

- Treasury Inflation-Protected Securities (TIPS) returns were negative in the third quarter as real interest rates rose amid the global deleveraging process that weighed on most asset classes. The Lehman Brothers U.S. TIPS Index returned -3.54 percent
- Real yields increased across the maturity spectrum, especially for shorter maturities, as declining commodity prices added to negative prospects for these issues. Very illiquid market conditions exacerbated the downward move. Strong recent inflation accruals offset a portion of the losses
- Market inflation expectations, measured by the difference between nominal and real yields of similar maturity and also known as breakeven inflation, decreased dramatically. The move was driven by sharp declines in commodity prices and prospects for slower growth, and exaggerated by investors' flight into nominal Treasuries that drove nominal yields down. The result was TIPS heavily underperforming nominal Treasuries

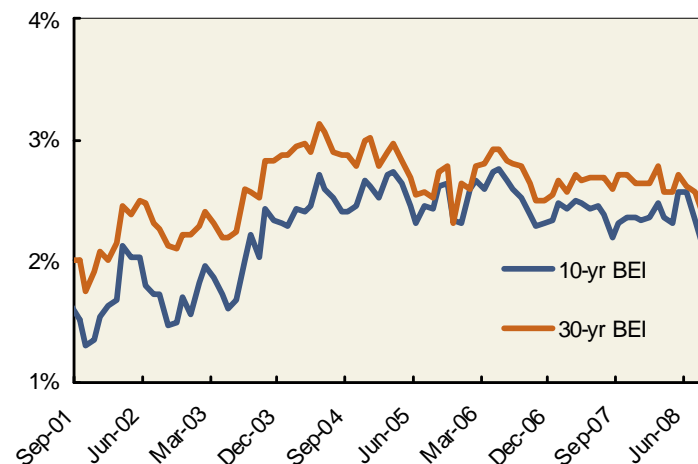
Market Outlook

- The recent decline in TIPS has made valuations attractive compared to their nominal Treasury counterparts, particularly in longer-dated issues. The potential for monetary easing and fiscal stimulus to support the U.S. economy could lead to longer-term inflation risks
- PIMCO's secular economic outlook paints a supportive picture for TIPS. Low growth rates are likely in developed economies such as the U.S. in the aftermath of the credit crisis and inflationary pressures could build over the longer term. We believe this macroeconomic backdrop is well aligned with the drivers of returns for TIPS



SOURCE: Barclays Capital

10-year and 30-year Breakeven Inflation (BEI)



SOURCE: Barclays Capital

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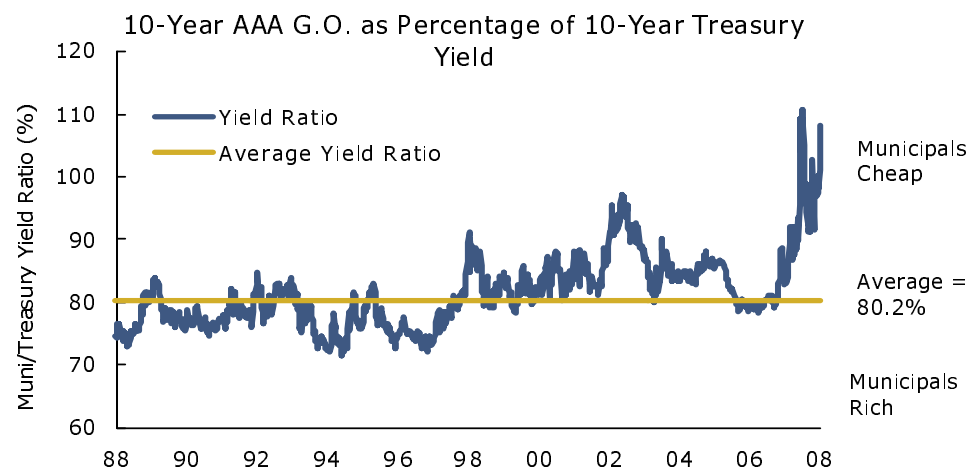
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Market Commentary

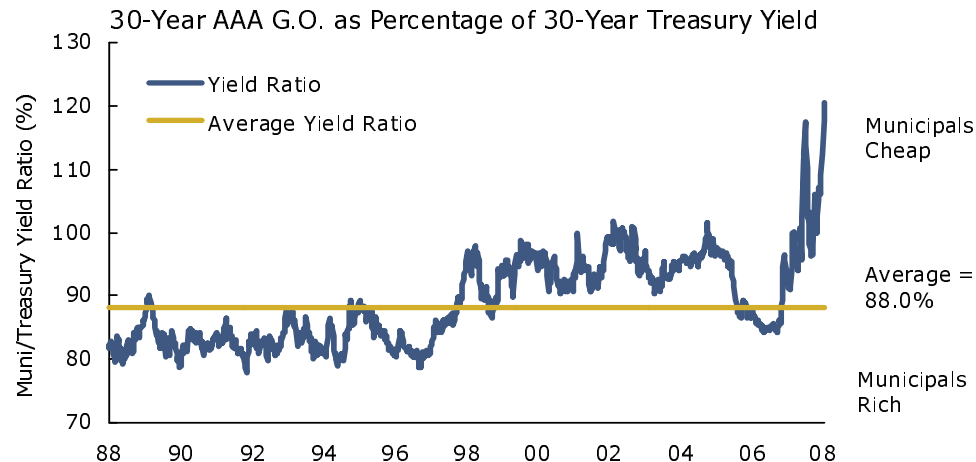
- The municipal yield curve steepened during the third quarter. Two year yields dropped 12 basis points and 5 year yields fell 1 basis point as investors moved to the short end of the curve. Ten-year yields increased by 33 basis points, while 20 and 30-year yields increased by 63 and 54 basis points, respectively, as measured by the MMD AAA GO scale. The municipal market underperformed Treasuries, with 10-year municipal yield ratios at 110 percent of similar maturity Treasuries, as shown in the upper right graph
- The Lehman Brothers Municipal Bond Index returned -3.21 percent for the quarter, underperforming the broad bond market, as represented by the Lehman Brothers Aggregate Index, by 272 basis points. The Lehman Brothers Long Municipal Bond Index returned -7.77 percent for the quarter, underperforming the Lehman Brothers Long U.S. Treasury Index by 1,059 basis points. Yields on 30-year municipals closed the quarter at 122 percent of 30-year Treasuries, as shown in the lower right graph

Market Outlook

- The municipal market was caught in the middle of the financial crisis that hit in mid-September after slightly improving earlier in the third quarter. Liquidity dried up as investors moved to short-term Treasuries as a safe haven
- New issue supply dropped dramatically in September as issuers were reluctant to issue in the current market environment. The financial crisis also led to a jump in yields for VRDN's as money funds put back all but the safest liquidity backed paper. We expect issuance to remain below normal and yields to remain elevated until the liquidity issues in the market are resolved



SOURCE: Bloomberg Financial Markets



SOURCE: Bloomberg Financial Markets

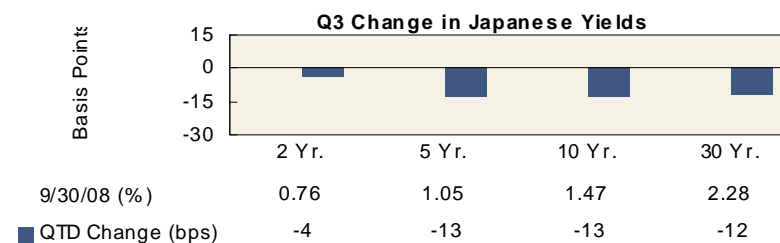
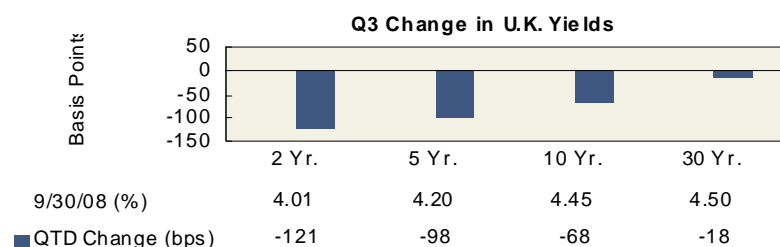
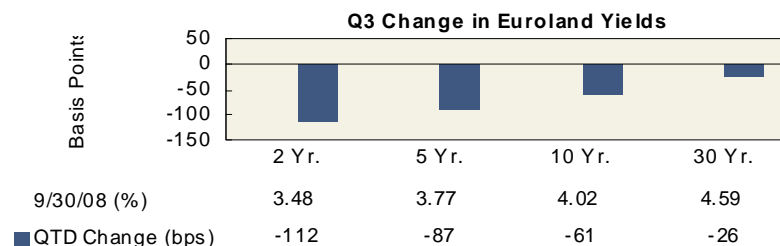
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Market Commentary

- Non-U.S. government bond yields fell sharply across major markets as investors sought shelter from the financial crisis by shifting funds into sovereign debt
- Yield curves in Europe and the U.K. steepened as the market adjusted to the increased likelihood of interest rate cuts in these regions
- The U.S. dollar rallied strongly against the euro and British pound, while the Japanese yen was supported by an unwind of the carry trade

Market Outlook

- PIMCO expects growth in developed countries to slow as the fallout from the financial crisis reverberates through their economies and leads to further deterioration of underlying economic fundamentals
- The only silver lining to the increasingly dark growth cloud is that the sharp slowdown has begun to ease inflationary pressures
- With interbank lending rates at record levels and credit markets paralyzed, financial conditions are tight and the case for central bank easing is compelling. The European Central Bank and Bank of England are even more likely to ease than the Federal Reserve as their economies slow



Currency Rates and Returns

	9/30	% Change	
	Spot	Q3	YTD
Euro	1.409	-10.6	-3.4
Yen	106.11	+0.1	+5.3
Australian \$	0.792	-17.3	-9.5
Canadian \$	1.064	-4.0	-6.2
British Pound	1.781	-10.6	-10.3

SOURCE: Bloomberg

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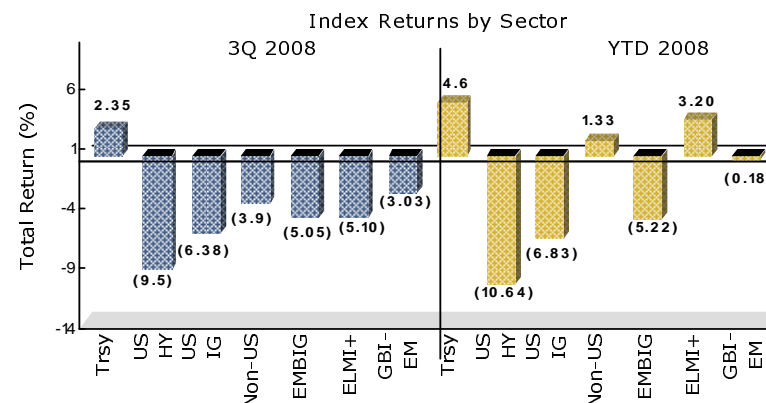
Market Commentary

- As the credit crunch intensified during the third quarter, emerging market bonds suffered amid the market turmoil. However, emerging markets fared better than other fixed income assets as seen in the graph to the right
- Amid heightened risk aversion and flight to quality, 10-year U.S. Treasury yields decreased by 15 bps and closed the quarter at 3.83 percent. EM spreads widened by 134 basis points during the quarter to finish the period at 442 basis points over Treasuries on average, as seen in the graph on the bottom right. The EMBIG Index returned -5.05 percent
- EM currencies weakened versus the U.S. dollar in the third quarter. The JPMorgan ELMI+ Index, denominated in local EM currencies, returned -5.10 percent for the quarter

Market Outlook

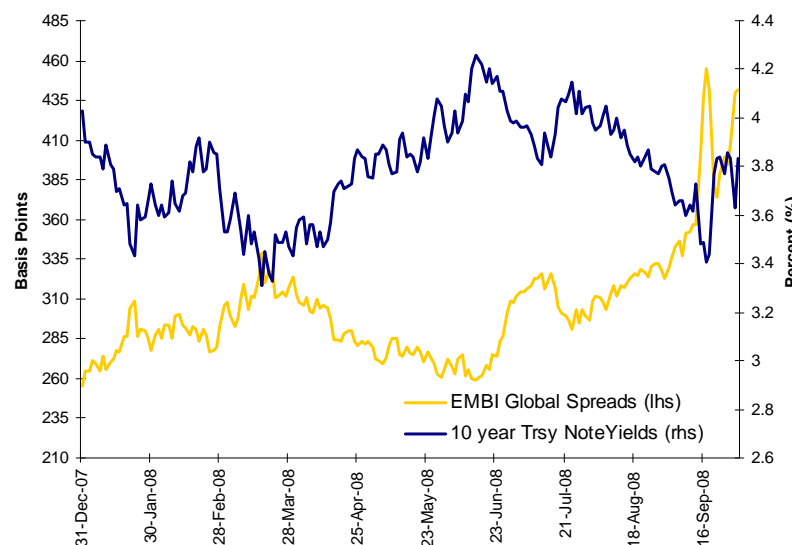
- Many EM countries remain well-positioned to weather the volatility of the global financial markets. Robust foreign reserve levels support many emerging economies
- PIMCO expects a high degree of differentiation in performance across EM countries. Along with high levels of foreign reserves, economies with solid external balances and proven policy discipline are likely to best withstand the current period of market volatility
- We believe that local markets continue to offer some of the most attractive opportunities in global fixed income given our expectation of interest rate convergence over the long-term amid the secular maturation of these economies

*EMBIG Spreads are shown against a market value weighted average of the spread of every individual issue within the index relative to the duration neutral Treasury for each respective issue in the index.



Trsy: Citigroup Treasury Index, U.S. HY: Merrill Lynch High Yield, U.S. IG: Lehman Brothers Credit Investment grade, Non-U.S.: JPM GBI xU.S. Index, EMBIG: JPMEBIG Index, ELMI+: JPM ELMI+ Index, GBI EM: JPM GBI EM Global Diversified Index

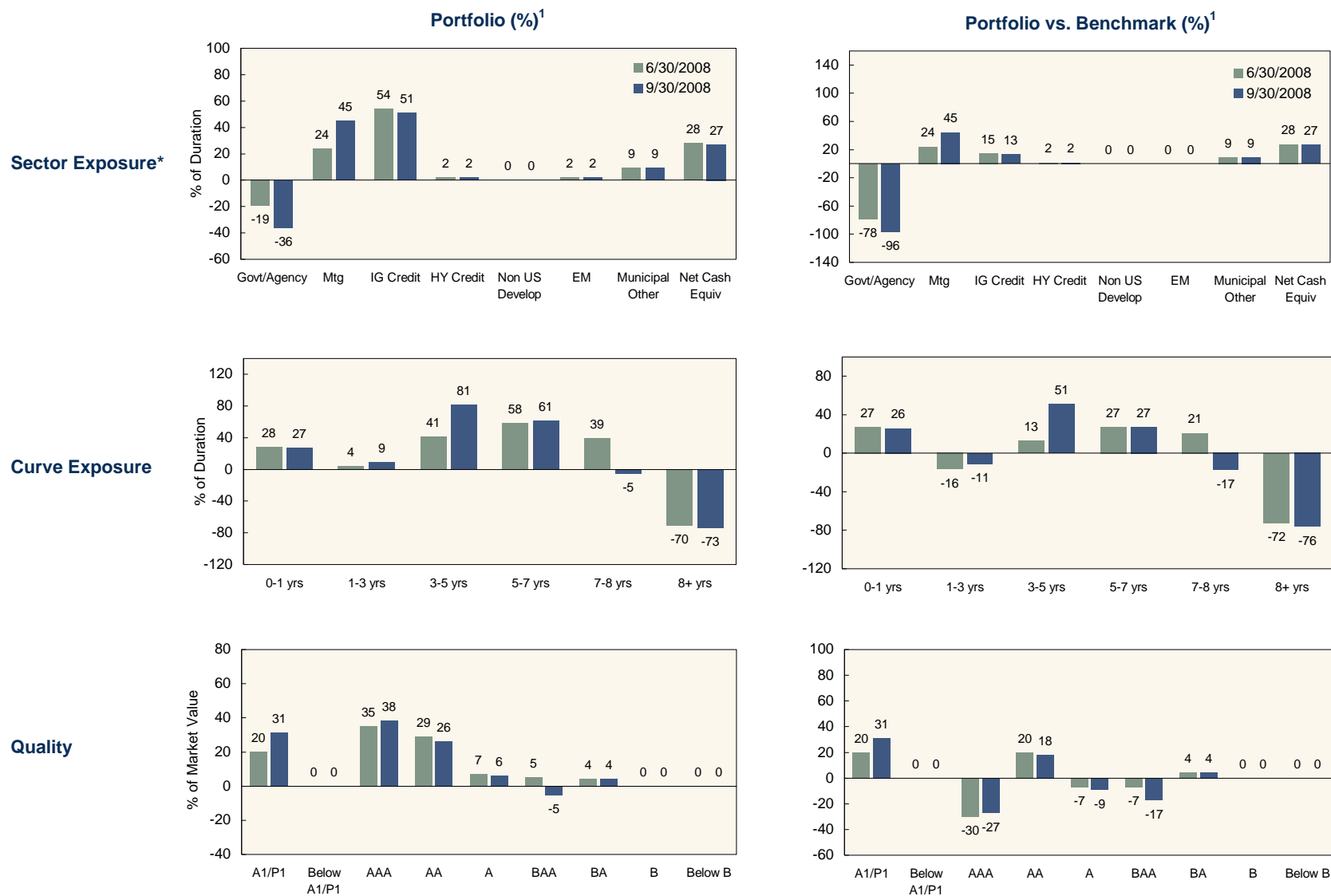
SOURCE: JPMorgan



SOURCE: JPMorgan, Bloomberg

Portfolio Characteristics and Benchmark Variance

State of Montana Public Employee Deferred Comp Plan



See footnotes in Appendix.

* Net cash equivalents include U.S. and non-U.S. money market futures, where permitted. See Sector Allocation on Summary of Performance Data and Portfolio Statistics Page.

Direct Country and Currency Exposure

State of Montana Public Employee Deferred Comp Plan

Country Exposure (by issue currency)¹

	Portfolio 06/30/2008				Portfolio 09/30/2008			
	Market Value Weighted (%)				Market Value Weighted (%)			
(by issue currency)	% of Duration	Bonds	Cash Equiv.	Currency Exposure ² (%)	% of Duration	Bonds	Cash Equiv.	Currency Exposure ² (%)
North America	100.0	58.0	128.9	0.0	100.0	98.0	124.1	0.0
United States	100.0	58.0	128.9	0.0	100.0	98.0	124.1	0.0
Europe - EMU	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
United Kingdom	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Europe - Non-EMU	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Czech Republic	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Japan	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Asia Pacific ex-Japan	0.0	0.0	0.0	0.1	0.0	0.0	0.0	0.1
Hong Kong	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Singapore	0.0	0.0	0.0	0.1	0.0	0.0	0.0	0.1
Taiwan	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Emerging Markets	0.0	0.0	0.0	0.4	0.0	0.0	0.0	0.4
Brazil	0.0	0.0	0.0	0.1	0.0	0.0	0.0	0.1
China	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Malaysia	0.0	0.0	0.0	0.1	0.0	0.0	0.0	0.1
Mexico	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Philippines	0.0	0.0	0.0	0.1	0.0	0.0	0.0	0.1
Poland	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Russia	0.0	0.0	0.0	0.1	0.0	0.0	0.0	0.1
South Africa	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Turkey	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net Liabilities ⁴	<u>0.0</u>	<u>0.0</u>	<u>-86.9</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>-122.1</u>	<u>0.0</u>
Total Direct Exposure	100.0	58.0	42.0	0.5	100.0	98.0	2.0	0.5

See footnotes in Appendix. Small allocations may round to zero.

Includes currency exposure in Private Emerging Markets Local Currency Fund, if applicable. Excludes currency exposure in Private Emerging Markets Bond Fund

PIMCO Proprietary Portfolio Level Risk Measures

State of Montana Public Employee Deferred Comp Plan

Risk Measures (yrs)	6/30/2008	9/30/2008	Definitions of Risk Measures:
<u>Interest Rate Exposures:</u>			
Effective Duration			A portfolio's price sensitivity to changes in interest rates. An accurate predictor of price changes only for small, parallel shifts of the yield curve. For every 1 basis point fall (rise) in interest rates, a portfolio with duration of 1 year will rise (fall) in price by 1 bp.
Portfolio	3.7	4.0	
Benchmark	3.8	3.8	
Bull Market Duration			A portfolio's effective duration after a 50 bp decline in rates. The extent to which a portfolio's duration exceeds its bull market duration is a gauge of contraction risk.
Portfolio	3.3	3.5	
Benchmark	3.8	3.8	
Bear Market Duration			A portfolio's effective duration after a 50 bp rise in rates. The extent to which a portfolio's bear market duration exceeds its duration is a gauge of extension risk.
Portfolio	4.0	4.4	
Benchmark	3.8	3.8	
Total Curve Duration	0.4	1.9	A portfolio's price sensitivity relative to the benchmark to changes in the slope of the yield curve, measured between the 2-30 year Government yields, holding the 10-year yield constant. For every 1 bp of steepening (flattening), a portfolio with curve duration of 1 year will rise (fall) in price by 1 bp relative to the benchmark.
<u>Sector Exposures*:</u>			
Mortgage Spread Duration			The contribution of mortgages to spread duration. For every 1 bp of mortgage spread tightening (widening), a portfolio with mortgage spread duration of 1 year will rise (fall) in price by 1 bp.
Portfolio	1.8	2.7	
Benchmark	0.0	0.0	
Corporate Spread Duration			The contribution of corporate bonds to spread duration. For every 1 bp of corporate spread tightening (widening), a portfolio with corporate spread duration of 1 year will rise (fall) in price by 1 bp.
Portfolio	1.7	1.0	
Benchmark	1.6	1.4	
Emerging Markets Spread Duration			The contribution of emerging market bonds to spread duration. For every 1 bp of emerging market spread tightening (widening), a portfolio with an emerging market spread duration of 1 year will rise (fall) in price by 1 bp.
Portfolio	0.1	0.1	
Benchmark	0.1	0.1	
Swap Spread Duration			The contribution of swaps to spread duration. Includes the impact of non-swap instruments such as agencies that are sensitive to swap spreads. For every 1 bp of swap spread tightening (widening), a portfolio with swap spread duration of 1 year will rise (fall) in price by 1 bp. A negative swap spread duration indicates that the portfolio will benefit from widening swap spreads.
Portfolio	1.6	-0.2	
Benchmark	0.7	0.7	

* As measured by spread duration, which represents a portfolio's price sensitivity to changes in spreads, or yield premiums, that affect the value of bonds that trade at a spread to Governments. These include mortgage-backed, corporate and emerging market bonds, as well as swaps.

Summary of Derivatives

State of Montana Public Employee Deferred Comp Plan

Derivatives ¹ (% of Duration)	6/30/2008	9/30/2008	Characteristics of Derivatives:	Control Measures
Government Futures	-18.9	1.7	Used to adjust interest rate exposures and to replicate government bond positions. Frequently offers the opportunity to outperform government securities due to cheapness of futures contracts and active management of the liquid, short duration securities backing the futures.	Bond-equivalent exposure included in portfolio duration. Back long futures positions with high grade, liquid debt securities.
Other Futures	0.0	0.0	Includes municipal, mortgage-backed and interest rate swap futures.	See Government Futures.
Interest Rate Swaps	21.7	-26.9	Includes swaps with duration greater than 1 year. Used to adjust interest rate and yield curve exposures and substitute for physical securities. Long swap positions ("receive fixed") increase exposure to long-term interest rates; short positions ("pay fixed") decrease exposure.	Bond-equivalent exposure included in portfolio duration. Back long swaps positions with high grade, liquid debt securities.
Credit Default Swaps*	-11.6	-23.2	Credit default swaps are used to manage credit exposure without buying or selling securities outright. Written CDS increase credit exposure ("selling protection"), obligating the portfolio to buy bonds from counterparties in the event of a default. Purchased CDS decrease exposure ("buying protection"), providing the right to "put" bonds to the counterparty in the event of a default.	Bond-equivalent exposure included in portfolio credit risk measures. Back long exposures with high grade, liquid debt securities. Continually monitor underlying credit exposure.
Written	18.0	18.7		
Purchased	-29.6	-41.9		
Options	-0.5	0.2	Written options generate income in expected rate scenarios and may generate capital losses if unexpected interest rate environments are realized. Purchased options are used to manage interest rate and volatility exposures. Both written and purchased options will become worthless at expiration if the underlying instrument does not reach the strike price of the option.	Bond-equivalent exposure (weighted by probability of exercise) included in portfolio duration. Back underlying exposure with high grade, liquid debt securities.
Written	-0.7	0.0		
Purchased	0.3	0.2		
Mortgage Derivatives	0.0	0.0	Used to manage portfolio duration and/or enhance yield. Includes securities determined by PIMCO to have potentially less stable duration characteristics, such as Interest Only strips (IOs), Principal Only strips (POs), Support Class CMOs and Inverse Floaters. Value will fluctuate as prepayment speeds respond to rising and falling interest rates.	Bond exposure included in portfolio duration, convexity, and prepayment risk measures. Use IO's and PO's in moderation and in an overall portfolio context.
Money Market Derivatives	24.3	24.2	Used to manage exposures at the short end of the yield curve and express PIMCO's expectations for future short-term rates. Includes swaps with duration of 1 year or less, and Eurodollar, Euribor and other futures based on short-term interest rates.	Bond-equivalent exposure included in portfolio duration. MM derivatives are not backed by other assets as they represent short-maturity exposures and have no deliverable at expiration.
Futures	22.1	22.0		
Interest Rate Swaps	2.2	2.1		

* Credit default swaps are shown as percentage of market value to reflect potential default risk.

Summary of Performance Data and Portfolio Statistics

- 1 All time periods longer than one year are annualized and returns include reinvestment of dividends, income and capital gains, if any.
- 2 The benchmark is: The Lehman Brothers Intermediate Government/Credit index is an unmanaged index of U.S. Government or Investment Grade Credit Securities having a maturity of at least 1 year and less than 10 years. It is not possible to invest directly in an unmanaged index.
Other indices presented are: Citigroup 3 Month Treasury Bill Index ; Lehman Brothers Aggregate Index.
- 3 Net cash equivalents equal cash equivalents less the amount used to back liabilities such as futures, forwards and unsettled trades. Money Market Futures/Options include Eurodollar and Euribor futures that are based on short term interest rates and represent short maturity exposures. They are not backed by other assets and have no deliverable at expiration as they are cash settled. The notional amount of money market futures, captured in the column labeled "% of Market Value", is based on an annualized 3-month interest rate and follows the industry convention of dividing the notional amount by 4 to reflect the underlying 3-month rate exposure. Money market futures' contribution to overall portfolio duration is captured in the column labeled "% of Duration." Other includes repurchase agreements, short duration municipal bonds and accrued interest.
- 4 Tracking error, a measure of risk, is defined as the standard deviation of the portfolio's excess return vs.the benchmark expressed in percent. The information ratio is defined as the portfolio's excess return per unit of risk, or tracking error. For example, an information ratio of 1 means that a portfolio manager generates 100 basis points, or one percent of excess return for every 100 basis points of risk taken.

Portfolio Characteristics and Benchmark Variance

- 1 Market value data based on percentage of net asset value. Other includes Yankee/Euro bonds, convertibles and municipal bonds. Net cash equivalents equal cash equivalents less the amount used to back liabilities such as futures, forwards and unsettled trades.

The benchmark is: Lehman Brothers Intermediate Government/Credit Index

Direct Country and Currency Exposure

- 1 Country exposures reflect the portfolio's effective exposure to non-U.S. markets, inclusive of forward settled holdings. Small allocations may round to zero.
- 2 Includes currency exposure due to non-U.S. holdings, hedging transactions and outright currency transactions. Positive numbers reflect long currency positions relative to base currency. Allocations may not add to totals due to rounding.
- 3 Other includes swaps and securities issued in euros by issuers outside of core Europe.
- 4 Includes liabilities associated with futures, forwards and unsettled trades.

Summary of Derivatives

- 1 This portfolio may use derivative instruments for hedging purposes or as part of its investment strategy. Use of these instruments may involve certain costs and risks such as liquidity risk, interest rate risk, market risk, credit risk, management risk and the risk that a portfolio could not close out a position when it would be most advantageous to do so. Portfolios investing in derivatives could lose more than the principal amount invested.

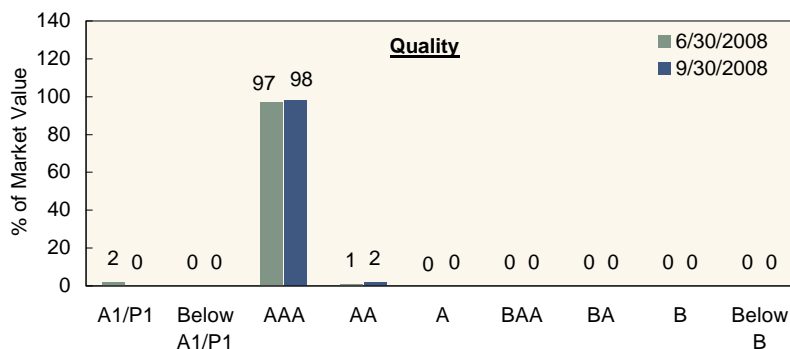
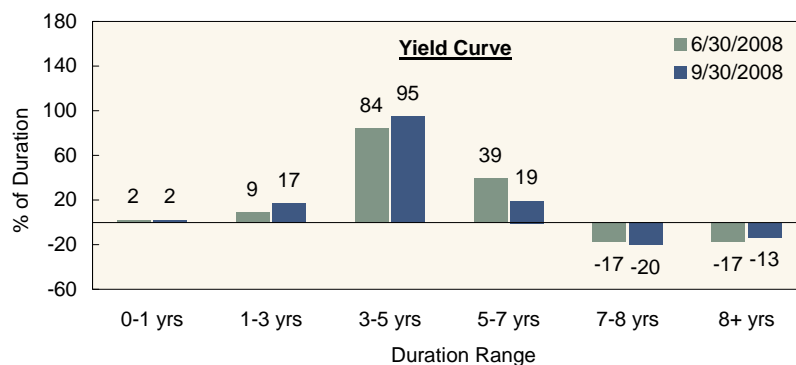
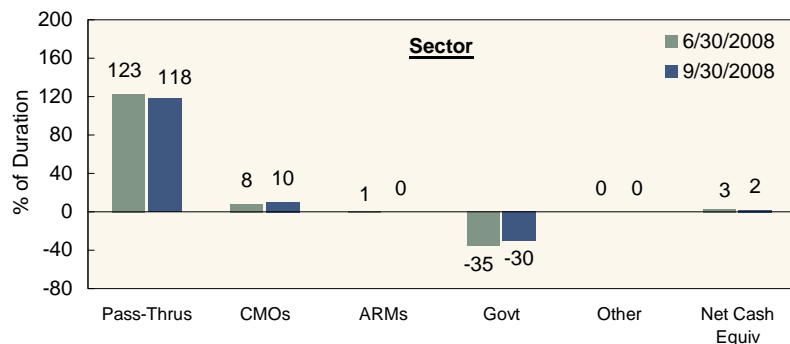
Additional Portfolio Information

PIMCO Private Mortgage Fund

State of Montana Public Employee Deferred Comp Plan

Summary Information	6/30/2008	9/30/2008
Portfolio Allocation		
Amount (\$MM)	2.5	2.5
Percent of Total Market Value (%)	1.4	1.4
Total Net Assets (\$MM)	12,269.9	14,429.5
Quarterly Fund Performance (%)	-0.37	1.07
Average Quality	AAA	AAA
Effective Duration (yrs)	4.0	4.0

Derivatives (% of Duration)	6/30/2008	9/30/2008
Government Futures	0.0	2.7
Money Market Futures	1.8	1.5
Credit Default Swaps ¹	0.9	1.9
Written	2.1	2.4
Purchased	-1.2	-0.5
Options Premiums	0.0	0.0
Written	-0.2	-0.2
Purchased	0.1	0.2
Mortgage Backed ²	0.0	0.0
Other ³	-25.3	-30.5



¹ As credit instruments, credit default swaps are shown as a percentage of market value.

² Securities determined by PIMCO to have potentially less stable duration characteristics, such as: IO & PO Strips, Support-class CMOs, and Inverse Floaters.

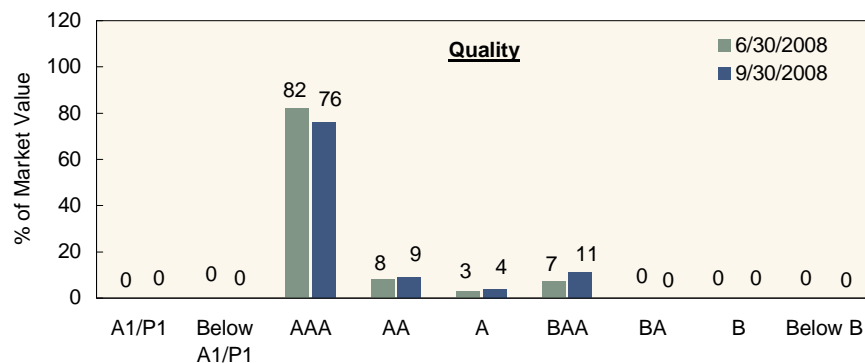
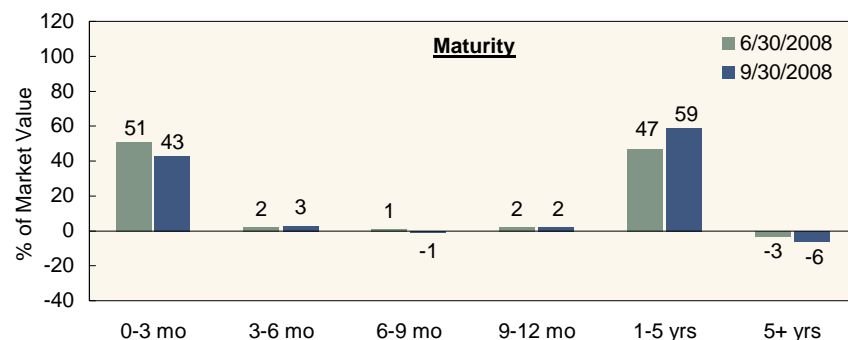
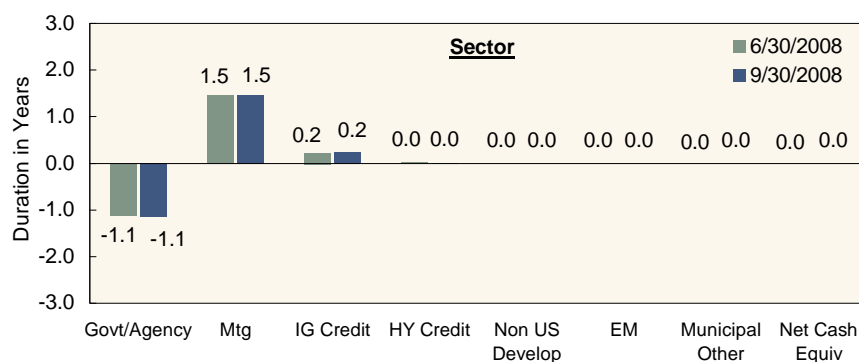
³ Category includes securities which derive their value from underlying interest rates, such as interest rate swaps, swap futures, credit spreads, and non-U.S. derivatives.

PIMCO Private Short Term Fund

State of Montana Public Employee Deferred Comp Plan

Summary Information	6/30/2008	9/30/2008
Portfolio Allocation		
Amount (\$MM)	22.1	21.2
Percent of Total Market Value (%)	12.1	12.0
Total Net Assets (\$MM)	3,512.5	2,736.6
Quarterly Fund Performance (%)	1.02	-4.00
Average Quality	AA+	AA+
Effective Duration (yrs)	0.6	0.6

Derivatives (Duration in Years)	6/30/2008	9/30/2008
Government Futures	0.0	0.0
Money Market Futures	0.0	0.0
Credit Default Swaps ¹	3.6	6.6
Written	9.0	12.6
Purchased	-5.4	-6.0
Options Premiums	0.0	0.0
Written	-0.1	-0.2
Purchased	0.1	0.1
Mortgage Backed ²	0.0	0.0
Other ³	-0.2	-0.2



¹ As credit instruments, credit default swaps are shown as a percentage of market value.

² Securities determined by PIMCO to have potentially less stable duration characteristics, such as: IO & PO Strips, Support-class CMOs, and Inverse Floaters.

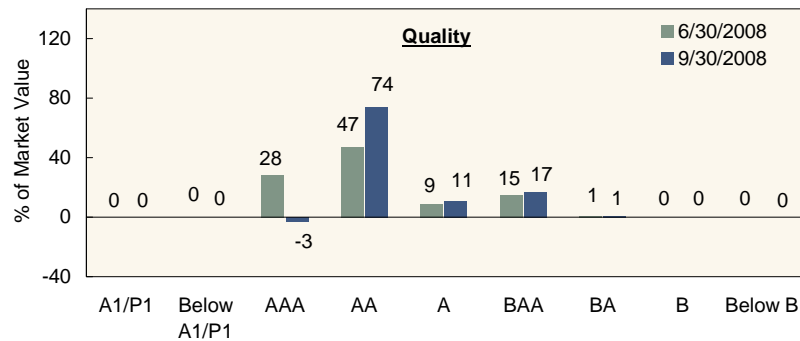
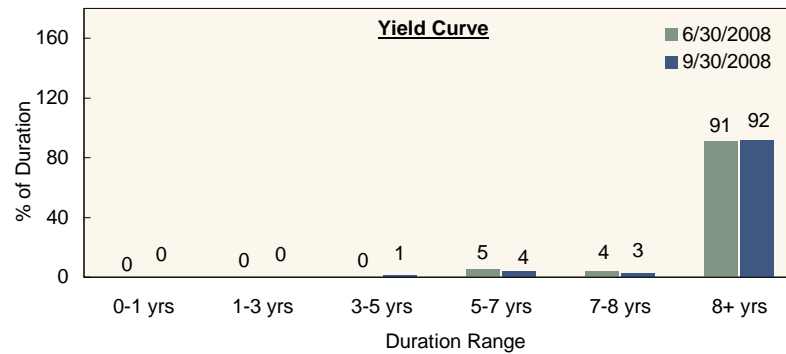
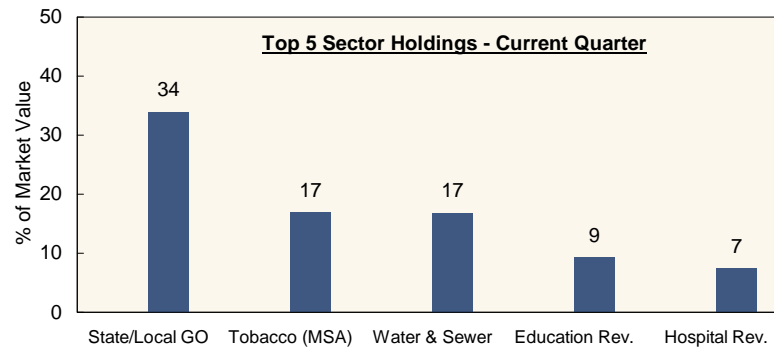
³ Category includes securities which derive their value from underlying interest rates, such as interest rate swaps, swap futures, credit spreads, and non-U.S. derivatives.

PIMCO Private Municipal Bond Fund

State of Montana Public Employee Deferred Comp Plan

Summary Information	6/30/2008	9/30/2008
Portfolio Allocation		
Amount (\$MM)	2.4	2.1
Percent of Total Market Value (%)	1.3	1.2
Total Net Assets (\$MM)	384.7	321.0
Quarterly Fund Performance (%)	2.47	-9.70
Average Quality	AA-	A+
Effective Duration (yrs)	10.8	14.2

Derivatives (% of Duration)	6/30/2008	9/30/2008
Government Futures	-18.5	0.0
Money Market Futures	0.0	0.0
Credit Default Swaps ¹	5.7	46.5
Written	5.7	46.5
Purchased	0.0	0.0
Options Premiums	0.0	0.0
Written	0.0	0.0
Purchased	0.0	0.0
Mortgage Backed ²	0.0	0.0
Other ³	-8.5	-26.2



¹ As credit instruments, credit default swaps are shown as a percentage of market value.

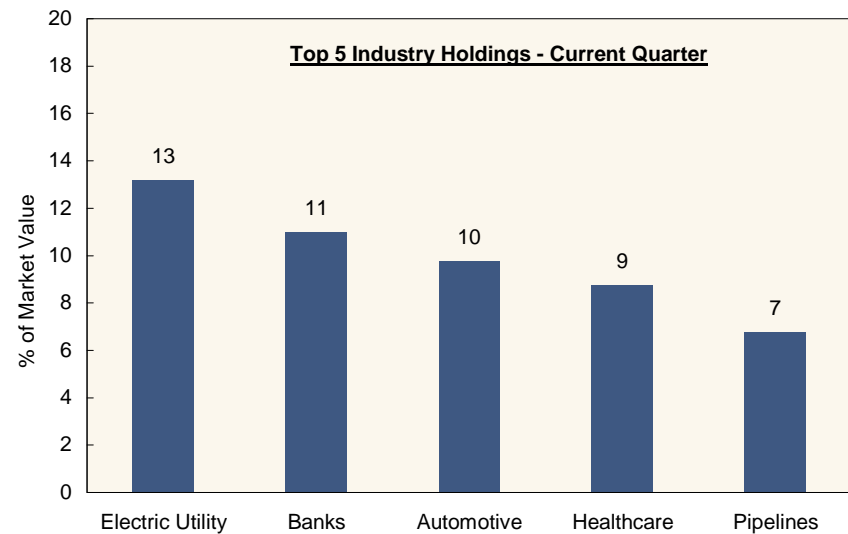
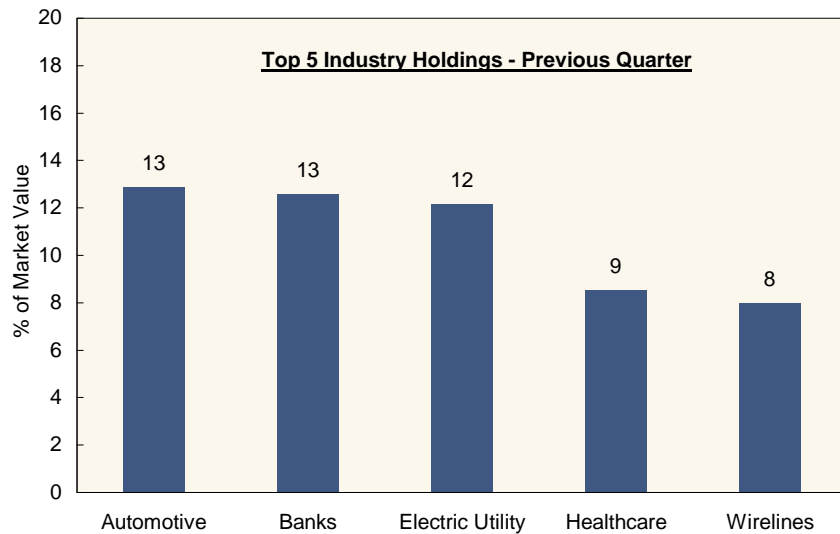
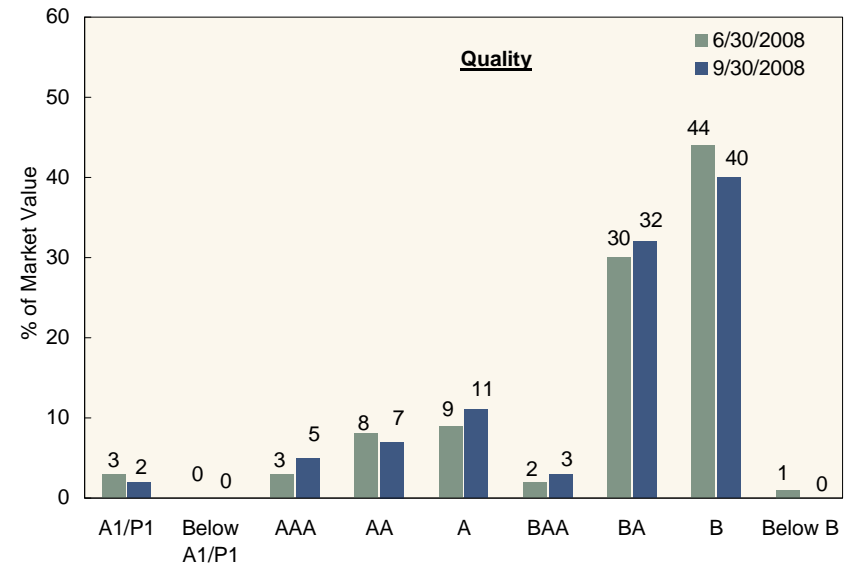
² Securities determined by PIMCO to have potentially less stable duration characteristics, such as: IO & PO Strips, Support-class CMOs, and Inverse Floaters.

³ Category includes securities which derive their value from underlying interest rates, such as interest rate swaps, swap futures, credit spreads, and non-U.S. derivatives.

PIMCO Private High Yield Fund

State of Montana Public Employee Deferred Comp Plan

Summary Information	6/30/2008	9/30/2008
Portfolio Allocation		
Amount (\$MM)	4.4	3.8
Percent of Total Market Value (%)	2.4	2.2
Total Net Assets (\$MM)	965.3	705.8
Quarterly Fund Performance (%)	0.48	-12.00
Average Quality	BA	BA+
Effective Maturity (yrs)	4.9	6.4
Effective Duration (yrs)	3.5	4.2
Credit Default Swaps (%)	-0.6	-1.9
Written	4.7	5.2
Purchased	-5.3	-7.0



PIMCO Private Emerging Markets Bond Fund

State of Montana Public Employee Deferred Comp Plan

	6/30/2008				9/30/2008			
Portfolio Allocation								
Amount (\$MM)	3.6				3.4			
Percent of Total Market Value (%)	2.0				1.9			
Total Net Assets (\$MM)	1,112.5				772.8			
Quarterly Fund Performance (%)	-2.87				-6.76			
Effective Duration (yrs)	3.0				2.4			
	% of MV	% of Market	% of	Net	% of MV	% of Market	% of	Net
	Cash Equiv.	Value Bonds	Duration	Currency (%)	Cash Equiv.	Value Bonds	Duration	Currency (%)
Brazil	-1.45	73.43	75.16	11.73	4.30	77.43	87.05	8.09
Chile	-0.34	0.16	0.27	1.64	-0.53	0.22	0.51	1.43
China	0.46	0.09	0.17	0.21	-0.10	0.12	0.22	3.63
Colombia	0.59	0.06	0.16	0.07	0.83	0.10	0.31	0.10
Egypt	0.00	0.58	0.40	0.00	0.00	0.82	0.65	0.00
El Salvador	0.00	0.36	0.68	0.00	0.00	0.48	1.11	0.00
EM Index Product	0.00	0.00	0.00	0.00	0.00	-1.90	0.00	0.00
Guatemala	0.00	0.49	0.66	0.00	0.00	0.00	0.00	0.00
Hungary	0.02	0.49	0.37	0.65	-0.01	0.00	0.00	-0.32
India	0.00	0.27	0.29	0.00	0.00	0.37	0.45	0.00
Indonesia	-0.02	4.37	0.00	-1.74	-0.12	2.81	0.00	1.38
Kazakhstan	0.00	0.88	1.34	0.00	0.00	0.71	0.93	0.00
Malaysia	-0.16	0.00	-0.01	13.78	-0.97	0.00	-0.05	13.05
Mexico	11.45	6.12	10.57	6.05	9.24	5.61	11.90	5.38
Panama	0.00	0.57	1.98	0.00	0.00	0.01	0.06	0.00
Peru	0.00	0.74	0.51	0.12	0.00	0.16	0.71	0.15
Philippines	-0.51	0.00	-0.03	11.74	-0.91	0.00	-0.10	12.51
Poland	1.46	3.02	7.35	7.19	-0.13	4.11	12.33	5.10
Romania	-0.17	0.00	-0.03	-1.71	0.02	0.00	0.00	-2.15
Russia	11.30	7.07	6.69	10.78	9.28	5.68	3.44	14.41
Slovakia	0.00	0.00	0.00	0.02	0.00	0.00	0.00	0.05
South Africa	-0.07	2.20	3.28	1.36	0.00	2.31	3.81	1.00
Turkey	0.00	0.00	0.00	0.00	-0.12	0.00	-0.01	1.18
Ukraine	0.00	3.18	0.09	0.00	0.00	2.04	0.04	0.00
Uruguay	0.01	1.20	2.72	0.46	0.00	0.80	1.44	0.29
Vietnam	0.00	0.05	0.10	0.00	0.00	0.07	0.17	0.00
Developed Markets	0.00	24.27	-12.72	23.62	0.00	25.53	-24.97	25.38
Net Liabilities	-52.17	0.00	0.00	0.00	-48.26	0.00	0.00	0.00
Total Direct Emerging Markets	-29.60	129.60	100.00	85.97	-27.48	127.48	100.00	90.66

Small allocations may round to zero.

